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1956 ANNUAL REPORT

CASTLE & COOKE, LIMITED

CASTLE & COOKE, LIMITED

DIRECTORS

J. BALLARD ATHERTON
E. E. BLACK
A. G. BUDGE
H. K. L. CASTLE
S. N. CASTLE
C. J. HENDERSON
P. K. McLEAN*
J. H. MIDKIFF
GEO. G. MONTGOMERY
R. E. MORTON†
A. F. STUBENBERG
HENRY A. WHITE
H. W. B. WHITE

OFFICERS

A. G. BUDGE	President
H. K. L. CASTLE	Vice-President
C. J. HENDERSON	Vice-President
MALCOLM MacNAUGHTON	Vice-President
FREDERICK SIMPICH, JR.	Vice-President and Secretary
W. M. BUSH	Vice-President and Treasurer
L. J. HOUGHTON	Assistant Treasurer
HOWARD HUBBARD	Assistant Treasurer
HENRY B. CLARK, JR.	Assistant Secretary
L. F. DEACON	Assistant Secretary
W. M. HALE, JR.	Assistant Secretary
H. M. RICHARDS	Assistant Secretary

J. F. MURPHY	Director, Industrial Relations
W. R. NORWOOD	Director, Public Relations

AUDITOR

YOUNG, LAMBERTON & PEARSON

STOCK TRANSFER AGENTS

Hawaiian Trust Co., Ltd.	Honolulu
Wells Fargo Bank	San Francisco

REGISTRARS

Bishop Trust Co., Ltd.	Honolulu
American Trust Co.	San Francisco

* Resigned November 23, 1956.
† Appointed November 23, 1956.

CASTLE & COOKE, LIMITED

Continued labor stability coupled with a good level of community prosperity permitted us to register another successful year.

If one fact stands out in the events of 1956 as they affected Castle & Cooke, it is the progress made in certain problem areas of the company's activity. Strict austerity and improved yields combined to produce favorable results at Kohala. Merger of Hawaiian Tuna Packers with Columbia River Packers put this investment on a dividend basis for the first time. Hawaiian Equipment Company registered a record sales year. Problems at Waialua seem on the way to solution and Hawaiian Pineapple Company's diversification program is progressing.

Much remains to be done before our varied activities and investments are operating at peak performance but it has been a year of progress.



INVESTMENTS AND INCOME

Our earnings for the year were $1,972,340 as compared with $1,876,946 in 1955. The consolidated figures include Castle & Cooke Terminals, Hawaiian Equipment Company, Kohala Sugar Company and six months of operation at Hawaiian Tuna Packers. Dividends of $3 a share were again paid.

The principal balance sheet change during the year reflects a borrowing of $1,250,000. This was used to help fund the purchase of a 50 per cent interest in a large California ranch and to subscribe to an offering of Hawaiian Pineapple Company stock. Both investments are detailed in subsequent paragraphs.

The remainder of this report outlines, first, the operations of Castle & Cooke; second, the activities of the companies which we serve as management agent; and, third, the activities of certain companies in which we have an investment but which operate independently.

AGENCY SERVICES

Castle & Cooke, proper, functions as a service organization—service to the operating subsidiaries and companies with which we have agency contracts. Our principal operations, beyond executive guidance, include purchasing, financial and accounting management, industrial and public relations counsel, freight solicitation, industrial engineering and business research, and land and tax activities. Some examples of our work during the year follow.

The Industrial Relations Department participated in two prolonged and intricate contract negotiations, one covering the sugar industry and the other, stevedoring and clerical employes on the waterfront. In both instances threatened strikes were avoided and long-term contracts signed. As our labor relations expand to cover such complex subjects as minimum retirement benefits, disability plans and severance and repatriation programs, their negotiation and administration become almost a business in itself, entailing elaborate actuarial study and detailed analysis.

The Public Relations Department undertook added responsibilities including the production of two weekly TV shows. One of these, "Life of the Land," is a vehicle through which we may help publicize various community projects and activities, and also build better public understanding of the business functions and services of Castle & Cooke and our affiliated companies. It has become well established as one of the most popular shows of local origin.

Much executive time was devoted, with other industry representatives, to the development of a system of sugar quota administration to govern the production of the plantations under the Sugar Act of 1956.

Faced with increasing competition in the Hawaiian trade, the Freight Department expanded its staff and its solicitation efforts on behalf of Matson and Isthmian.

Our examination of new business opportunities is a continuing process and again this past year considerable staff time was devoted to the study of various possibilities.

This research resulted in a decision to participate, with Alexander & Baldwin and others, in the formation of Kentron Hawaii, Limited, a new electronics manufacturing and servicing firm. For the present we are providing agency services to help this company through the organizational phase of its development.

SUBSIDIARIES

Except for a few scattered shares of Kohala stock, we are the only stockholder in the following operations and consolidate their results in our financial statements:

CASTLE & COOKE TERMINALS, LTD.

Labor stability and high volume are governing factors in the profit of this Company. Both were favorable in 1956 and, combined with continued operating efficiency, resulted in a satisfactory return. A long-term labor contract gives the Terminals' management the opportunity to experiment with new cargo-handling methods essential to the economic movement of Hawaiian commerce.

HAWAIIAN EQUIPMENT CO., LTD.

This was a record sales year for this distributor of heavy industrial equipment. While margins continue thin and competition is intense, profit improved with volume. A growing parts business offers promise for the future as International Harvester units earn increasing use in the Hawaiian industrial scene.

HAWAIIAN TUNA PACKERS, LTD.

This Company was merged with Columbia River Packers Association, Inc., at the middle of the year. Hawaiian tuna, packed fresh, is an excellent product but our volume was too small to support the aggressive sales effort required for the highly competitive mainland market. The Bumble Bee brand of Columbia River Packers has nation-wide acceptance and their diverse line of sea food permits them to support a sales organization of the size necessary to compete with other national brands. Merger of the two companies was a logical consequence. Operation of Columbia River Packers was quite profitable during 1956. We now own 11.86 per cent of that company and are represented on its board. Our agency relationship terminated with the merger.

MACADAMIA NUT DIVISION

The first commercial pack of Royal Hawaiian Macadamia Nuts was marketed in New York at the close of 1956. While the pack was too small to permit firm conclusions, it was well received at favorable prices. The prospects are for rapidly increasing crops in the years immediately ahead. To this time, performance at Keaau is meeting expectations.

KOHALA SUGAR CO.

Oddly enough, Kohala often enjoys good growing weather when conditions adversely affect the other plantations in which we are interested. An excellent crop of 46,698 tons in 1956, coupled with operating economies and improved prices for sugar and molasses, brought Kohala a profitable year. Ingenuity in cultural and milling practices has played a substantial part in these results as has the cooperation of employes at all levels.

COMPANIES SERVED AS MANAGEMENT AGENT

Many of the companies included under this category, as well as those in which we have investments but which we do not manage, publish annual reports. If you are interested in obtaining copies please return the enclosed card.

BLACKHAWK RANCH CO.

This California property was purchased jointly by Castle & Cooke and Helemano Company, Limited, during 1956 at a cost of $1,250,000. Comprising 6,556 acres, it is situated at the foot of Mount Diablo in Contra Costa County between the rapidly developing industrial areas of Antioch and Oakland. Future plans for the development of the property are indefinite but it was purchased in the belief that it will appreciate in value with the growth of the San Francisco Bay Area. Meanwhile it supports itself with a small cattle and walnut operation.

HELEMANO CO., LTD.

This investment and land-owning Company continued to report relatively stable earnings from its two principal income sources—land rentals and Hawaiian Pineapple dividends. Earnings in 1956 were $644,429 as compared with $655,067 in 1955. Dividends were maintained at the rate of $1.10 per share. As earlier noted, Helemano joined Castle & Cooke in the purchase of the Blackhawk Ranch during the year and also agreed to subscribe to its prorata of an offering of shares in Hawaiian Pineapple Co. at a cost of $1,302,500.

REALTY DEVELOPMENT, LTD.

The plans for this Company to purchase land from Helemano and retail it for fee-simple residential use in rural Oahu were delayed by two factors. The first of these was difficulty in attaining an agreed appraisal and the second was the tightened money situation which has seriously curtailed new housing starts in Hawaii. Ultimately the plans for this Company should be realized.

EWA PLANTATION CO.

The 1956 crop at Ewa was disappointing, being 57,727 tons as compared with an average of 60,546 in the five preceding years. Profits were not adversely affected, however, as improved sugar and molasses prices permitted the company to earn $648,619 as compared to $596,674 in 1955. Dividends of $1.60 per share were paid. Some improvement in growing conditions was noted in 1956 and it is expected that the 1957 crop will return to normal.

WAIALUA AGRICULTURAL CO., LTD.

Poor weather held the crop to 64,374 tons in 1956. Improved prices, however, increased profit significantly, 1956 earnings being $652,216 as contrasted with $408,203 in 1955. The present prospect is for a better crop and continued labor stability in 1957.

INVESTMENTS

The following paragraphs report on the companies in which we have investments but where our management responsibility is confined to representation on the boards of directors.

BAY AND RIVER NAVIGATION CO.

This is a small but successful company that engages in transporting Hawaiian sugar from the California & Hawaiian refinery at Crockett across the bay to rail connections in San Francisco. It reported another profitable year.

HAWAIIAN PINEAPPLE CO., LTD.

The Hawaiian Pineapple Company reported an increase in its earnings for the year ended May 31, 1956. Net profit for the year was $2,652,047 or $1.64 a share on common stock after provision for two quarterly preferred dividends.

During the prior fiscal year the company's earnings amounted to $1,369,025 or $.92 a share.

Recent changes in operations and expansion of business, such as increased product lines, new can plant operation, and necessity of maintaining large mainland stocks, have materially increased the company's working capital requirements. Early this year approximately $4,000,000 was added to working capital from the proceeds of a rights offering to stockholders enabling them to subscribe to shares of Hawaiian Pineapple Company common stock on a one new share for each four shares held basis. The offering was well received. Castle & Cooke and Helemano, along with a high percentage of other stockholders, exercised their rights. Arrangements have been completed to borrow an additional $4,000,000 for working capital on long-term notes placed with mainland insurance companies.

The company's can plant is completed; the marketing organization has been strengthened; and the new mainland subsidiaries are now well integrated.

BLACKHAWK

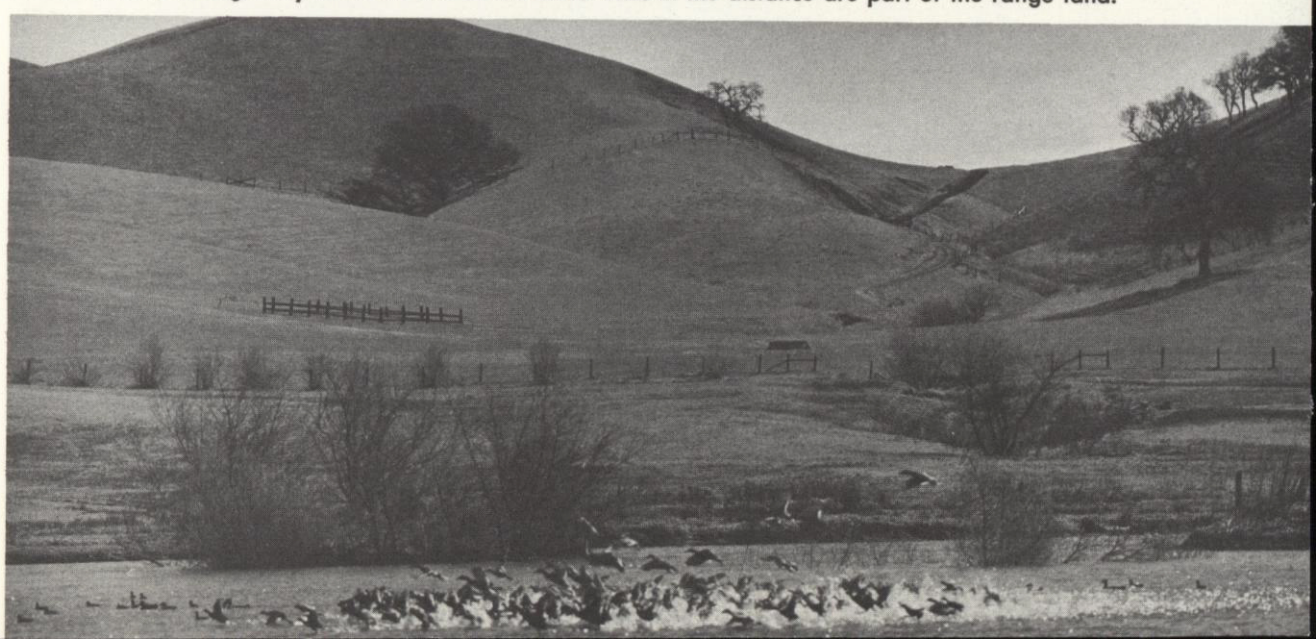
These are typical views of Blackhawk Ranch in Contra Costa County, California. The property was purchased jointly by Castle & Cooke and Helemano Company, Ltd.





Above—A view of the Blackhawk walnut orchard with rolling grazing land and lakes shown in the distance.

Below—A flock of migratory ducks on one of the lakes. Hills in the distance are part of the range land.



Above—This view of Blackhawk looks down on ranch buildings, and walnut orchard and distant grazing land.

Below—This is a view of ranch buildings and cattle corral, with walnut orchard and range land in the background.



HOME INSURANCE CO. OF HAWAII, LTD.

Increased volume and favorable underwriting experience substantially improved the earnings of the Home in 1956. The stock was split two and one half for one early in the year. Dividends reached a new high rate of $1.50 per share. The Company paid $1.32 in 1955 on a comparable basis.

HONOLULU OIL CORP.

This Company, which develops oil-bearing properties in the United States and Canada, continued its long history of profitable operations. Its growth potential and domestic reserve position for the future have been enhanced by important new discoveries of crude oil in West Texas and by substantial increases in Canadian crude production at the Pembina fields.

MATSON NAVIGATION CO.

Continued tourist travel to the Islands and sustained heavy freight volume permitted Matson to operate profitably during the year. However, increased costs took a deep bite into profits. If it had not been for tax credits arising from settlement of federal income and excess profits taxes for the period, 1942 to 1952, earnings for the year would have been substantially less.

Spiraling costs, attributable primarily to waterfront and seafaring labor, required Matson to apply to the Maritime Commission for increased freight rates to be effective early in 1957. Following the application, oil prices were advanced to a degree that will render the new rates, if granted, inadequate to permit a proper return on vessel operation.

The year saw resumption of Oceanic passenger service to the South Pacific with the maiden voyage of the Mariposa and completion of her sister ship, the Monterey. Rebuilding progressed on the new Matsonia, which will go into service between California and Hawaii in June of 1957.

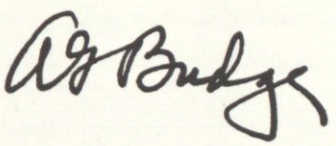
CONCLUSION

It may be said that generally 1956 was a good year for Castle & Cooke and its affiliated companies. It was also a year of development and progress for the Territory as a whole.

Prospects appear favorable for further expansion of the tourist business, the construction industry and the service trades. Mainland investors are showing increasing interest in the Island economy, and local companies, including Castle & Cooke, are continuing to explore possibilities for new business development.

No area, however, can continue to progress economically unless the political climate is encouraging and legislation affecting taxes and land utilization is realistic.

The problem is to provide governmental services and living standards at a cost in terms of taxes, wages and fringe benefits which business can afford and still have the incentive and means to undertake new investments and expansion. There appears to be increasing and encouraging general public awareness that some equitable answer must be found, if Hawaii is to continue to grow and prosper.



STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

DECEMBER 31

	1956		1955	
CURRENT ASSETS:				
Cash	$ 2,510,395		$ 2,161,894	
Marketable Securities at Cost Less Amortization	2,068,526		1,176,446	
Accounts Receivable	2,384,507		2,285,734	
Notes Receivable (Note 1)	100,000			
Inventories:				
Merchandise at Lower of Cost or Market	1,800,233		2,986,269	
Supplies at Cost	767,852		813,500	
Prepaid Expenses	57,015		92,246	
Total Current Assets		$ 9,688,528		$ 9,516,089
DEDUCT CURRENT LIABILITIES:				
Accounts Payable	$ 3,592,504		$ 3,073,476	
Notes Payable (Note 2)	800,000		850,000	
Income Taxes Payable	962,819		907,842	
Total Current Liabilities		5,355,323		4,831,318
NET CURRENT ASSETS		$ 4,333,205		$ 4,684,771
GROWING CROPS—STATIC VALUE (Note 3)		1,000,000		1,000,000
INVESTMENTS AT BOOK VALUE (Note 1)		9,415,801		8,129,992
LAND AT COST		2,729,006		2,393,677
BUILDINGS AND EQUIPMENT (Note 2)	$11,715,877		$11,812,882	
Less Reserve for Depreciation	6,653,535		6,521,190	
		5,062,342		5,291,692
NOTES RECEIVABLE (Note 1)		603,101		177,221
DEFERRED CHARGES		105,478		82,371
		$23,248,933		$21,759,724
DEDUCT:				
Notes Payable (Note 2)	$ 1,000,000		$	
Reserves:				
Workmen's Compensation	1,506		2,796	
Contingencies	30,000		35,500	
Other	42,375		41,619	
Minority Interests in Subsidiaries	8,614		34,619	
		1,082,495		114,534
EXCESS OF ASSETS OVER LIABILITIES AND RESERVES		**$22,166,438**		**$21,645,190**
STOCKHOLDERS' EQUITY:				
Capital Stock—Par Value $20.00				
Authorized and Issued 500,000 Shares	$10,000,000		$10,000,000	
Capital Paid-In Over Par Value of Stock	396,155		396,155	
Capital Arising from Acquisition of Subsidiaries' Stock	2,406,864		2,629,672	
		$12,803,019		$13,025,827
Accumulated Earnings Invested in the Business:				
Reserved for Excessive Cost of Plant and Equipment Replacement (Note 4)	$		$ 511,000	
Unreserved	12,377,785		11,088,421	
		12,377,785		11,599,421
		$25,180,804		$24,625,248
Less Treasury Stock at Cost	(102,083 Shares)	3,014,366	(101,233 Shares)	2,980,058
TOTAL STOCKHOLDERS' EQUITY		**$22,166,438**		**$21,645,190**

STATEMENT OF CONSOLIDATED EARNINGS

AND

ACCUMULATED EARNINGS INVESTED IN THE BUSINESS

	1956		1955	
INCOME:				
Agency Fees		$ 1,475,396		$ 1,476,787
Dividends		1,318,369		1,200,831
Interest		55,607		54,903
Gross Receipts (Subsidiaries) (Note 5)	$23,121,777		$22,430,718	
Less: Cost of Sales and Direct Expenses	18,183,595		17,609,311	
Gross Margin (Subsidiaries)		4,938,182		4,821,407
Equipment and Other Rentals		496,148		471,589
Miscellaneous—Net		234,479		59,400
Total Income		$ 8,518,181		$ 8,084,917
OPERATING EXPENSES (Note 6)		5,466,753		5,239,714
NET INCOME BEFORE PROVISION FOR INCOME TAXES		$ 3,051,428		$ 2,845,203
PROVISION FOR INCOME TAXES:				
Federal	$ 987,574		$ 881,185	
Territorial	91,345		83,898	
		1,078,919		965,083
NET INCOME		**$ 1,972,509**		**$ 1,880,120**
Less: Minority Interest in Net Earnings of Subsidiary		169		3,174
NET INCOME, CASTLE & COOKE, LIMITED		**$ 1,972,340**		**$ 1,876,946**
ACCUMULATED EARNINGS INVESTED IN THE BUSINESS, UNRESERVED—JANUARY 1		11,088,421		10,460,319
ADD:				
Reserve for Excessive Cost of Plant and Equipment Replacement (Note 4)		511,000		
		$13,571,761		$12,337,265
LESS:				
Dividends Paid	$ 1,193,976		$ 1,220,844	
Annual Provision for Excessive Cost of Plant and Equipment Replacement (Note 4)			28,000	
		1,193,976		1,248,844
ACCUMULATED EARNINGS INVESTED IN THE BUSINESS, UNRESERVED—DECEMBER 31		**$12,377,785**		**$11,088,421**

FINANCIAL NOTES

1. Castle & Cooke, Limited received 45,000 shares of Columbia River Packers Association, Inc. stock in exchange for its holdings of Hawaiian Tuna Packers, Ltd. as a result of a merger of those two companies. The surviving corporation, Columbia River Packers Association, Inc. assumed the Hawaiian Tuna Packers, Ltd. $600,000.00 note payable to Castle & Cooke, Ltd. This note is to be paid in six annual installments beginning in August, 1957.

2. Notes payable in the amount of $1,800,000 consist of (1) $550,000 Hawaiian Equipment Company, Limited note payable to the Bishop National Bank. Certain trucks and other equipment are pledged as security for this note. (2) $1,250,000 unsecured Castle & Cooke, Limited note payable to American Trust Company in five annual installments.

3. Growing crops of Kohala Sugar Company are stated at a static value which is less than the current cost of the crops.

4. The Kohala Sugar Company reserve for excessive cost of plant and equipment replacement was discontinued at the year end and the balance in the account amounting to $511,000 was restored to unreserved accumulated earnings.

5. Consistent with the accounting procedures for sugar plantations, conditional compliance payments are recorded in the year in which they are received although the payment is based on the crop of the preceding year. Included in gross receipts in 1956 and 1955 are the amounts of $374,077 and $360,527 respectively, received by Kohala Sugar Company.

6. Included in operating expenses is depreciation which has been calculated on the straight line method except for certain equipment purchased subsequent to 1953 on which depreciation has been calculated on the "sum of the years' digits" method. Depreciation taken during 1956 and 1955 was $895,828 and $910,383 respectively.

7. Contingent Liabilities:
 The outstanding balance at December 31, 1956 of accounts and notes receivable of Hawaiian Equipment Company, Limited discounted at the Bishop National Bank was $395,732.
 Unfunded past service and minimum benefit commitments for retirement plans in effect for employes of the company and its subsidiaries amounted to approximately $1,140,000 at December 31, 1956 which is not reflected in the accompanying statements. The cost of the plans in 1956 was $618,800 of which approximately $210,700 applied to such past service and minimum benefit commitments.

8. Principles of Consolidation:
 Companies in which Castle & Cooke, Limited owns substantially all of the outstanding stock have been consolidated in the accompanying financial statements.

AUDITOR'S CERTIFICATE

To the Stockholders of
Castle & Cooke, Limited:

We have examined the Statement of Consolidated Financial Condition of Castle & Cooke, Limited, and its subsidiaries at December 31, 1956, and the Statement of Consolidated Earnings and Accumulated Earnings Invested in the Business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Statements of Consolidated Financial Condition, Consolidated Earnings and Accumulated Earnings Invested in the Business and related notes present fairly the consolidated financial position of Castle & Cooke, Limited, and its subsidiaries at December 31, 1956, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

YOUNG, LAMBERTON & PEARSON
Certified Public Accountants

Honolulu, Hawaii
March 15, 1957

CONSOLIDATED INVESTMENTS OF CASTLE & COOKE, LIMITED

AS OF DECEMBER 31, 1956

SUBSIDIARIES:*	Shares Outstanding	Number of Shares Held	% of Total Outstanding
Castle & Cooke Terminals, Ltd.	60,000	60,000	100.00
Hawaiian Equipment Co., Ltd.	100,000	100,000	100.00
Kohala Sugar Co.	130,000	129,838	99.88
OTHER INVESTMENTS:			
Bay & River Navigation Co.	17,000	2,925	17.21
Bishop Trust Co., Ltd.	120,493	3,000	2.49
Blackhawk Ranch Co.	15,000	7,500	50.00
Calif. & Hawn. Sugar Ref. Corp., Ltd.	151,785	4,386	2.89
Columbia River Packers Assn., Inc.	379,275	45,000	11.86
Ewa Plantation Company	240,000	56,548	23.56
Hawaiian Development Co., Ltd.	5,700	221	3.88
Hawaiian-Philippine Co. (Pfd.)	398,778	9,917	2.49
Hawaiian Pineapple Co., Ltd.	1,655,680	250,000	15.10
Hawaiian Trust Co., Ltd.	83,080	3,000	3.61
Helemano Co., Ltd.	524,614	162,500	30.98
Home Insurance Co. of Hawaii, Ltd.	125,000	50,000	40.00
Honolulu Oil Corporation	3,750,972	160,000	4.27
Kentron Hawaii, Ltd. (Pfd.)	10,000	4,500	45.00
Matson Navigation Company	1,500,000	205,317	13.69
Realty Development, Ltd.	75,000	25,000	33.33
Waialua Agricultural Co., Ltd.	600,000	182,082	30.35

*** The financial position and operating results of these companies are consolidated with those of Castle & Cooke, Limited.**